THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

Statement to the

Government of Ontario's Discussion
Re: The Ontario Retirement Pension Plan
(Check against delivery)

Susanna Cluff-Clyburne
Director, Parliamentary Affairs
Ottawa
February 10, 2015

Thank you for the opportunity to provide the perspectives of our members regarding the Ontario Retirement Pension Plan, or ORPP.

The Canadian Chamber has long supported providing employers and employees with retirement savings options that recognize their varying resources and needs.

The ORPP will be a payroll tax. Higher payroll taxes are not embraced by employers and can result in businesses curtailing hiring new employees.

I would like to speak to four issues that we hope the Ontario Government will consider in finalizing the characteristics of the ORPP.

Firstly, the impact of the ORPP on the small businesses that do not have the resources to offer any type of pension plan today will be profound. It will affect their employees as well. These companies – often operating on the slimmest of margins – and their employees -will be faced with an additional 1.9 per cent tax. Some of these businesses could well face difficult decisions regarding their employees including reducing hours or even cutting staff.

The second is the narrow definition of "comparable" plans as Defined Benefit and Target Benefit Multi-Employer Pension Plans. Employers of all sizes have chosen to offer their employees other types of pension plans – including Defined Contribution plans and group RRSPs – according to their financial and administrative resources. These employers and their employees would have to participate in the ORPP.

My employer is an example. A not-for-profit organization, the Canadian Chamber of Commerce has 46 employees, 41 of whom are in Ontario. Today, we have a Defined Contribution pension plan to which employees must contribute a minimum 2 per cent of their salaries. The Canadian Chamber contributes 4 per cent for the first ten years and then increases its contribution to 6 per cent.

When the ORPP comes into effect, the Canadian Chamber's – and it employees' - costs - in 2014 dollars - would each increase by nearly $63,000 a year.

Employers like mine will likely choose to reduce their contributions to their current pension plans by the amount of the new payroll tax and allow their employees to do the same. We believe the definition of "comparable" plan should be broadened to include all registered workplace savings plans.

Thirdly, the ORPP could affect individuals' abilities to save for their retirements through private voluntary retirement savings vehicles, many of which are attached to tax incentives. Today's low retirement savings rates could well be the result of individuals' stretched financial circumstances. It's difficult to see how imposing an additional 1.9 per cent tax on these individuals could improve their situation. It could mean they have to make difficult spending decisions elsewhere in their household budgets.

Finally, given the program will be funded by employers and employees, both will want to be assured that the maximum amount possible of their premiums is being directed to retirement savings with administration costs kept to the absolute minimum. We ask that the Minister and Government provide Ontarians with further clarity on the estimated cost of setting up the plan and the cost of its administration on an ongoing basis.

Increasing the cost to businesses of having employees puts up a barrier to retaining current employment numbers, let alone adding new employees.

Thank you for the opportunity to provide our perspectives.